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C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000203

SIPDIS

FOR EAP/MTS AND INR

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TAGS: [PGOV](#) [PINR](#) [PINS](#) [KDEM](#) [MY](#)
SUBJECT: PM'S ALLY BARRED FROM CONTESTING IN RULING PARTY
ELECTION

Classified By: Political Counselor Mark D. Clark for reasons 1.4 (b and d).

Summary and Comment

11. (SBU) In a highly controversial decision, the ruling United Malays National Organization (UMNO) party on March 17 found Ali Rustam, an ally of Prime Minister Abdullah Badawi, guilty of "money politics" and barred Rustam from contesting for Deputy President in the party's late March election. UMNO found Khairy Jamaluddin, PM Abdullah's son-in-law, guilty of breaching party rules, but waived any sanction, allowing him to continue to run for the UMNO Youth chief position. The UMNO disciplinary board, which ruled in these cases, also sanctioned 13 lesser UMNO officials for similar offenses, but found UMNO Youth contestant Khir Toyo innocent, despite his widespread reputation for vote-buying. Deputy Prime Minister (DPM) Najib Razak, slated to take over as Prime Minister after the UMNO election, publicly supported the rulings as measures to clean up the party, while the reaction of PM Abdullah, in Indonesia at the time of the UMNO decision, was far more qualified. Ali Rustam's supporters and many commentators raised concerns over the board's timing and political motivation, while opposition figures challenged Ali Rustam's continuation as Malacca state Chief Minister and asked why anti-corruption authorities were not pursuing criminal investigations.

12. (C) Comment: Rustam's elimination takes on significance because the UMNO Deputy President traditionally becomes the Deputy Prime Minister. Rustam's disqualification helps clear the way for current MITI Minister Muhyiddin Yassin, a key Najib ally over the past year, to win the UMNO Deputy President post and emerge as DPM. Disgruntled Rustam supporters could also shift their support to the third contender, Mohammed Mohammed Taib. The "stern warning" to Khairy further dampens his chances to win election. Decisions in both the Rustam and Khairy cases go against PM Abdullah's interests and demonstrate that Abdullah's influence in the party has seriously degraded even before he leaves office. Despite UMNO leaders' explanations that the party is weeding out corruption (Khir Toyo's acquittal stands out as particularly incongruous with such an aim), the March 17 rulings are widely viewed as a manifestation of power politics. Nevertheless, the spotlight turned on internal UMNO vote-buying keeps the anti-corruption issue in public focus and could add to public demands for UMNO and other parties to reform. The controversial decisions will not due irreparable harm to UMNO, but could dampen the ruling coalition's chances in the April 7 by-elections. End Summary and Comment.

Barred, Warned, Cleared

¶13. (C) UMNO's disciplinary board announced after its March 17 meeting that Malacca's Chief Minister Mohd Ali Rustam was barred from contesting for the party's Deputy President post in the March 24-28 party election for "breaking election rules." Until his barring, Ali Rustam was in a three-way race for the party's deputy presidency, the winner traditionally named the country's DPM. The remaining contenders are now front-runner Minister of International Trade and Industry Muhyiddin Yassin and Information Minister Muhammad Muhammad Taib, who has been a dark horse. Although perceived as unsophisticated and with a limited command of English, Rustam enjoys solid grassroots support within some UMNO factions. Embassy contacts believed Rustam to be an increasingly strong contender who also had the backing of PM Abdullah. The other leading contender, Muhyiddin, has been an ally of DPM Najib over the past year, and played a key role in forcing Abdullah to step aside in favor of Najib. Ali Rustam filed an appeal to UMNO's Supreme Council on March ¶18. It is unclear when the council may address his appeal; the next Supreme Council meeting should take place on the eve of UMNO's March 24-28 party elections.

¶14. (C) The UMNO disciplinary board also found Khairy Jamaluddin, PM Abdullah's ambitious son-in-law who is seeking election as UMNO Youth chief, guilty of "breaching UMNO campaign rules," but only issued him a "stern warning." In addition, the Board found guilty and sanctioned 13 lesser UMNO officials, some associated closely with Ali Rustam and Khairy. In a decision that surprised many inside and outside the party, the Board cleared Mohd Khir Toyo, also contesting for UMNO Youth Chief, of corruption and using money politics.

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Khair Toyo formerly served as Chief Minister of Selangor state, until ousted by the opposition's March 2008 electoral victory. Khir Toyo has a reputation for his Malay chauvinist rhetoric and has been the subject of many corruption allegations.

Political Leaders React

¶15. (C) PM Abdullah, who had backed Ali Rustam's bid for the Deputy President post in part to thwart Muhyiddin according to a variety of Embassy contacts, was on an official visit to Jakarta when the UMNO disciplinary board announced its decisions. Commenting in Jakarta, Abdullah stated the decision showed UMNO "is firm in tackling money politics." However, on his return to Kuala Lumpur, on March 17, Abdullah indicated to Ali Rustam's supporters greeting him that he will consider their appeal to review the decision, and he refrained from strongly endorsing the disciplinary board's decisions. DPM Najib, seemingly contradicting the Prime Minister's opening for an appeal, told reporters Ali Rustam should accept the decision and that UMNO will not interfere with the disciplinary board's decision as the board is "an independent body" mandated by the UMNO Supreme Council to "do anything necessary for the sake of protecting the party's image." Syed Hamid, Home Minister and UMNO Vice President candidate publicly stated that although the board's decision was good for the party and portrayed a positive image, the timing could destabilize UMNO. During Embassy political specialist's visit to Parliament on March 18, UMNO MP's studiously avoided commenting to us on the board's rulings. Local media speculated on the possible impact of the Rustam decision on UMNO party cohesion.

¶16. (SBU) Rustam's elimination from the UMNO election ignited speculation that his disgruntled supporters could shift to trailing candidate Muhammad Muhammad Taib. According to local press reports, as of March 19 Najib's aides were meeting intensively with UMNO officials who were angered by Rustam's exclusion. Commentators also pointed out that dissatisfaction within Rustam's grassroots network and in PM Abdullah's camp could work against UMNO and its National

Front (BN) coalition in two of three April 7 by-elections (those in Perak and Kedah states).

17. (C) Opposition leader Anwar Ibrahim told reporters in Parliament the ruling against Ali Rustam was a classic case of "selective prosecution" where "a band of untouchables can flout the rules with impunity while the rest can and may be made targets." However, opposition party leaders privately told us they were pleased with the UMNO decision as it paved the way for "UMNO's eventual implosion." Some opposition leaders and commentators questioned how Rustam could continue to serve as Malacca Chief Minister given the credible charges of political corruption, and asked why he and other UMNO officials exposed for vote-buying were not targeted for prosecution by anti-corruption authorities. Outgoing UMNO Youth chief and Education Minister answered the latter point by stating that a corruption probe should not focus only on one party, but on activities in all parties.

KEITH